

ppw13
no 63

FRANKLIN & MERRITT
COLLIERIES

REPORT ON STATE AID TO PRIVATE CHARITABLE INSTITUTIONS AND AGENCIES



By the
STATE WELFARE COMMISSION

Dr. Earl D. Bond
Mary Clarke Burnett
Belle West Jennings
Thomas Kennedy
Alice F. Liveright
Margaret C. Madeira
J. Prentice Murphy
Hon. Paul N. Schaeffer



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF WELFARE

Letter of Transmittal

December 15, 1934.

Honorable Gifford Pinchot,
Governor, Commonwealth of Pennsylvania,
Harrisburg, Pennsylvania.

Dear Governor Pinchot:

I have the honor of transmitting herewith the report on state aid which you requested from the State Welfare Commission. The study on which the report was based was made for the Commission by a sub-committee composed of Margaret C. Madeira, Chairman; Dr. Earl D. Bond; and J. Prentice Murphy.

Sincerely yours,

Ollie F. Linnigh
Secretary of Welfare.

REPORT ON STATE AID

<u>Class of institution or agency</u>	<u>Number</u>	<u>Sub- total</u>	<u>Appropriation for group</u>
Mental hospital*	1	1	\$ 300 000
Institution for mental defectives**	1	1	360 000
General hospitals	147		6 855 550
Tuberculosis hospitals	5		340 700
Miscellaneous special hospitals	11	163	357 100
Maternity homes	5		8 000
Foster family agencies	9		127 700
Institutions for dependent and neglected children			
(a) With case work	13		57 300
(b) Without case work	15	28	103 000
Institutions for delinquent children	4***	46	550 200
Institutions for aged and children	4		37 900
Institutions for aged	18	22	127 300
Institutions and agencies for the blind	3	3	91 500
Miscellaneous	8	8	61 700
GRAND TOTAL		244	\$ 9 377 950

* Dixmont, which to a great extent functions as a part of the state system.

** Elwyn, which occupies a similar position.

*** Including Glen Mills and Sleighton Farms whose function in the eastern part of the state is comparable to that of the state owned institution at Morganza in the west.

REPORT ON STATE AID

STATE AID TO PRIVATE CHARITABLE INSTITUTIONS AND AGENCIES

INTRODUCTION

The system of state aid to private charitable institutions and agencies has developed in Pennsylvania to an extent that places this state in a class by itself. At the last regular session of the legislature, appropriations totaling \$9,377,950 were made to 244 such organizations. These institutions and agencies are grouped in the accompanying list, together with the appropriations made to them.

There is no means of estimating the extent to which the use of state funds for such a wide variety of unrelated purposes has benefited the people of Pennsylvania. Nor is there conclusive evidence as to whether this system has promoted the most efficient use of public and private funds.

There is little doubt, however, but that state aid has developed in Pennsylvania at the expense of the state's own institutions, and that it has contributed to the neglect by the state of some of its own responsibilities. There is little doubt, moreover, but that the system as developed in this state has served to distract the legislature from its more important functions. The practice has been for the budget officer to set aside a lump sum for state-aided hospitals* and another for state-aided institutions** and agencies. The result has been that the

*Exclusive of Dixmont, which is a mental hospital.

**Exclusive of Elwyn, a training school for the feeble-minded, and Glen Mills and Sleighton Farms, which are reformatories.

REPORT ON STATE AID

representatives of districts in which institutions are located which either have been getting or want to get state aid are subjected to tremendous pressure from groups of their constituents, each group seeking to secure as large an appropriation as they can for the particular institution or agency in which they are interested. In view of the fact that the members of the legislature, generally speaking, want to be re-elected, it is easy to understand why many of them have come to take a greater pride in demonstrating their influence by obtaining large appropriations for their local institutions than in helping to solve the immensely complicated problems affecting the whole people of Pennsylvania with which they are faced each session.

The final division of the total funds for state aid depends upon the interplay of various forces, among which intelligent direction plays a minor part. Quite aside from its inefficiency, however, this whole procedure has great disadvantages from the point of view of the member of the legislature. The pressure from groups of his constituents frequently is a source of embarrassment, and the effort to meet their demands involves an enormous waste of time and energy. In spite, therefore, of the satisfaction that attends any successful struggle, it seems entirely possible that if the members of the legislature could be assured that the needs of their constituents would be considered on an equitable basis they would prefer to be relieved of the pulling and hauling that the present system involves.

While no conclusive evidence exists on the basis of which one can either advocate or condemn the practice of giving state

REPORT ON STATE AID

aid to private institutions, the Commission is nevertheless of the opinion that certain principles can be established in the light of which the state can at least limit its responsibilities and define its duties.

The Commission believes the following principles to be sound:

1. No institution or agency should receive state aid unless the service it renders is one for which there exists a generally recognized need.

The application of this principle would disqualify certain miscellaneous institutions which are now receiving small subsidies. There is, the Commission believes, no justification for the appropriation of public funds to gratify the whim of a small group of people who are able to engage the interest of an influential member of the legislature. Nor is there justification for such appropriations for the purpose of experimenting with new services. Limited experimentation is generally recognized as a field for strictly private charity.

2. No institution or agency should be given state aid which, though qualified as far as #1 is concerned, does not meet an established local need.

The state has an obligation to its citizens both as taxpayers and as contributors to private charities; the people's money should not be used to promote the establishment or the continuance of unnecessary activities.

To turn to the state-aided hospitals for an illustra-

REPORT ON STATE AID

tion, there can be no reasonable doubt but that in certain localities lack of adequate control has resulted in the building of two or more hospitals where one would have served the community adequately-- in fact better, for over-hospitalization results in low occupancy rates, high per capita costs, division of community support-- all of which are generally translated into inferior service.

3. No institution or agency should receive state aid unless a coordinated statewide program will be promoted by the services of such institution or agency.

The application of this principle would obviously disqualify for state aid institutions and agencies which are not capable of serving as instruments for the execution of such a program.

On the other hand, though state aid to hospitals, as administered up to the present time, has certainly not effected an equitable distribution of good hospital facilities, the Commission can see no reason why it should not be deliberately administered to achieve this end and thus to promote a public health program for the benefit of the whole people of Pennsylvania.

4. Either no institution or agency performing a given service shall be considered eligible for state aid, or all such institutions and agencies shall be so considered.

There is no valid reason for favoritism in the granting of state aid. The mere fact that an isolated agency, or a small percentage of a group of agencies, is receiving state

REPORT ON STATE AID

aid should, in the opinion of the Commission, raise a doubt as to whether state aid should be given at all. On the other hand, there is certainly ground for questioning the practice of discriminating, as the Constitution compels us to do, against sectarian hospitals which qualify for state aid in every other respect and which it is practicable to admit into a system of state-aided hospitals.

5. No institution or agency should be given state aid whose policy is not in harmony with the policy of the state as formulated by the Department of Welfare.

There is no justification for subsidizing organizations which are functioning at cross purposes with the policies of the state. For example, the state, by the provision of the Mothers' Assistance Fund, established the policy of keeping families together in the event of the father's death, and the state's policy in regard to the protection of family life has been further defined during this administration. It is absurd, under the circumstances, for the state to grant aid to institutions and agencies for children which are more interested in keeping their "homes" for children filled than in keeping together the families from which the children come.

6. No institution or agency should receive state aid which does not at least conform to the minimum standards set by the state.

To turn again to the hospitals for an illustration, the state is not simply "buying free service", as we have been

REPORT ON STATE AID

accustomed to express it. It is buying free service for the purpose of promoting the health of those who need service and are unable to pay for it themselves. There is no justification for the continued appropriation of public funds for the support of institutions whose services may even endanger the health of those to whom they are rendered.

7. State aid should be given on an equitable basis and so far as is possible on the basis of service.

REPORT ON STATE AID

STATE AID TO PRIVATE HOSPITALS

The need for hospital facilities is hardly open to question, and the provision of such facilities is the form in which the philanthropic impulses of the American people seem most likely to express themselves. There are now 208 private medical, surgical and special* hospitals in Pennsylvania which give free service to the general public. One hundred and sixty-three of them are state-aided; 28 are sectarian and therefore ineligible for state aid; 17 are neither state-aided nor sectarian. The distribution of these hospitals, of the state hospitals, and of the municipal general hospitals and hospitals for contagious diseases, together with their bed capacity, is indicated on the accompanying map.**

However generally recognized the need for hospital facilities may be, the practice of giving state aid to private hospitals has been established in only 8 states of the Union. In no other state has it developed to the extent that it has in Pennsylvania, either from the standpoint of the total amount of money involved or from that of the political convulsions that attend the delivery of the appropriations. Moreover, in addition to state aid, subsidies to private hospitals are made in Pennsylvania, as they are in many other states, from the tax funds of political subdivisions.

The use of public funds for the financing of medical services for which the recipients are unable to pay can no doubt be amply justified on the ground that the public health and welfare

*Exclusive of mental hospitals.

**Owing to lack of time it was impossible to prepare this map for reproduction.

REPORT ON STATE AID

are promoted by this means. Whether state aid as administered in Pennsylvania up to the present time, however, has advanced the equitable distribution of good hospital facilities throughout the state is another question. There is considerable evidence

- 1) that it has encouraged overhospitalization in certain centers;
- 2) that it has given impetus to the establishment of hospitals on the basis of personal ambition rather than on that of community need;
- 3) that it has encouraged the building of hospitals that are too small to be efficient units; and
- 4) that it has kept alive hospitals which are neither necessary nor worthy of support.

The Commission does not make this generalization without appreciation of the real sacrifice that countless people must have made in their effort to establish and maintain these hospitals, nor without sympathy for the truly unselfish purpose behind the innumerable strawberry festivals, the cake sales, the bridge parties that must have been organized for the benefit of this one or of that. The Commission's concern is, however, with recommendations in regard to the administration of state aid, the execution of which will promote the equitable distribution of good hospital facilities to the people of Pennsylvania and with that purpose alone.

In the brief time available for the preparation of this report, it has not been possible to make a careful study of the hospital needs and facilities of Pennsylvania on which a properly

REPORT ON STATE AID

coordinated program could be based. The Commission is definitely of the opinion that such a study should be made. Its first

Recom- recommendation is that the incoming administration
mendation
#1 be urged to make plans for such a study in order
that the state may be in a position to give its support more
effectively than it does today. In making this recommendation,
the Commission does not wish to depreciate what has been achieved
by the Department of Welfare in the last decade; the Department
has worked bravely and efficiently to effect the intelligent
spending of appropriations for state aid. Its powers, however,
have been limited. Although a really constructive effort has
been made by some members of the legislature whose interest in
state aid to hospitals has not been limited to their local insti-
tutions, nevertheless the legislature has been free to appropri-
ate without regard for the recommendations of the Department,
and the Governor to sign appropriation bills according to his
personal or political interests. Until the passage of the
Incorporation Act in 1933, moreover, the Department of Welfare
has had no control over the establishment of new hospitals, and
today it has no control over the expansion of existing hospitals
either as to plant or as to function. The Commission recommends

Recom- that the Department shall be given this control by
mendation
#2 legislation and, moreover, that new hospitals which
are established, or existing hospitals which expand, or which
establish out-patient departments without the approval of the
Department of Welfare shall not receive or continue to receive
state aid.

REPORT ON STATE AID

Any plan directed toward equalization of opportunity for good hospital care must involve, inevitably, a willingness on the part of the state-aided hospitals to accept patients from outside the county in which they are located. Ideally the state should be divided into hospital districts, each provided with equally good hospital facilities. That is, however, at least at present, out of the question. There are, it is true, a few very fine hospitals scattered throughout the state. On the whole, however, hospital service outside of the large centers of population is far inferior to the best that the cities offer, and neither public nor private funds are now available to level up the quality of such service. As far as the Commission has been able to determine, the Philadelphia and Pittsburgh hospitals recognize today the obligation that this fact imposes on them, and, generally speaking, free patients are received in these hospitals from all parts of the state. Certain hospitals in smaller communities also recognize a more than local responsibility, though they are quite reasonably inclined to discourage patients from coming from long distances for services that can well be rendered in a hospital nearer home. On the other hand, some hospitals are unwilling to accept patients from an adjacent county, even when that county has not only no state-aided hospital but no hospital at all. This is manifestly absurd-- a sick person should not be discriminated against because of his residence. The Commission believes that the very acceptance of state aid imposes on the hospital obligations that are unrelated to county lines. On the other hand, it does not seem wise to

REPORT ON STATE AID

advocate that all state-aided hospitals accept Pennsylvania patients regardless of residence. The Commission recommends, therefore, that the Department of Welfare, in cooperation with the state-aided hospitals, work out a division of responsibility which makes adequate provision for free hospital care of the residents of counties where no hospital facilities, or no adequate hospital facilities, exist. It recommends, moreover, that no hospital which is unwilling to disregard county lines to this extent shall continue to receive state aid.

Closely related to the above is a recommendation which the state can make but which it cannot at present enforce. In the large centers of population there is no machinery for the coordination of the activities of the municipal hospital, the state-aided hospitals, the sectarian hospitals, and the few additional ones that fall into none of these categories. The Commission believes that such machinery would promote a more orderly program, and recommends that the Department of Welfare, together with the City Departments of Health, take the initiative in developing a coordinated division of responsibility. Such a plan should lead to the centering of expensive out-patient services in relatively few places, which is desirable not only for economy but for medical efficiency as well.

Closely related to all the foregoing recommendations is the question of the unneeded hospital. The state has a responsibility to its citizens both as taxpayers and as contributors, and in the opinion of the Commission it is up to the state to promote the most efficient use of both public and private funds. The

REPORT ON STATE AID

statistical records of the Department of Welfare show what demands are being and have been made on the state-aided hospitals, both as regards in- and out-patient service. Less than an annual average ward occupancy of 65% should establish doubt as to the need of a hospital; and unless an explanation for a lower percentage exists, such as insufficient funds for maintenance or recent expansion, the state would be justified in shifting its support to hospitals for which there is a clearly demonstrated

Recom- need. The Commission recommends, therefore, that
mendation hospitals which do not fill a community need as
#5 established by the low demand for their services shall not
continue to receive state aid after May 31, 1936, and that the
Department of Welfare shall be authorized by the appropriation
act to cancel state aid to such hospitals after this date.

In case no other hospital exists in the community which can and will take over the free load of the hospital to which state aid is to be discontinued, the Commission suggests that the Department of Welfare be authorized to negotiate with the nearest state-aided hospital with a view to establishing an out-patient department in the community whose hospital needs must be met, staffed by the physicians of the community. This out-patient department would have to be equipped to serve as a first-aid station and would, of course, have to provide ambulance service. The Commission does not make this recommendation lightly-- the advice of a number of distinguished surgeons and physicians has been obtained on this point. There appears to be agreement that though there may be circumstances under which it

REPORT ON STATE AID

is better not to have to move a patient at all, in the event that it is necessary to take him to a hospital he can be taken five miles or fifty with equal safety in practically all cases; moreover, that it is, generally speaking, safer to take a patient fifty miles to a good hospital than five miles to a poor one. Since a low occupancy rate, at least in the smaller communities, is usually accompanied by inferior service, such an arrangement would generally result in better medical care.

The Commission recommends, moreover, that a similar procedure be followed in the case of sub-standard hospitals. The minimum standards of the Department of Welfare are very low. In spite of this fact, and in spite of the fact that several of these sub-standard hospitals receive from the state a sufficient appropriation to compensate them for a high percentage of their free service earnings at not more than \$3.00 per day, nevertheless a considerable number of state-aided hospitals fail to come up to these standards. It seems obvious to the Commission that the state must give a break to the rural hospitals in the interest of a more equitable distribution of good hospital facilities, and the method of distribution of state aid recommended below provides for preferential treatment. If, even with the advantage that such treatment provides, it is impossible to raise the standards of the hospital, either because of the poverty of the community or because of the indifference of the residents to the hospital's needs, it seems obvious that the state's funds should be used to promote better care for the community's sick by the means proposed above rather than to subsidize inferior

REPORT ON STATE AID

Recom-
mendation
#6

care. The Commission recommends, therefore, that hospitals which do not conform to the minimum standards of the Department of Welfare by May 31, 1936 shall not continue to receive state aid after that date, and that the Department of Welfare shall be authorized by the appropriation act to cancel State aid to such hospitals after this date.

The execution of a plan such as is suggested in the last two recommendations would, of course, involve the expenditure of a substantial amount of money by the hospital which assumed the new burden. Two alternative methods by which provision for such additional expenses could be made are recommended below (Recommendations #14a and 14b).

The success of this substitute for underpatronized and sub-standard hospitals in communities where no other hospitals exist would be materially advanced by the provision for partial compensation for out-patient service. As the prevention of the need of hospitalization is far more to be desired, than the treatment of severe illness, the discrimination that is involved in compensation by the state for free ward service only does not seem to make sense. In fact, by reimbursing the hospitals for free ward service only, the present method of distribution of state aid tends to discourage this increasingly important factor in any program whose purpose is the promotion of the public health.

At the present time 74 of the 163 state-aided hospitals maintain out-patient departments. No doubt some of these departments leave a great deal to be desired, but that many are filling an important need is clearly indicated by the greatly increased

REPORT ON STATE AID

demand for their services. Although the number of out-patient departments in Pennsylvania increased by only 3 between 1927 and 1933, the number of patients treated increased by over 250,000 per annum, and the number of visits paid increased by almost 1,400,000.* To a considerable extent this increase in demand for out-patient service is due to the depression, and a large percentage of the patients who now patronize out-patient departments formerly had their own physicians, to whom they will presumably return when they can afford to. To what extent economic recovery will reduce the demand for out-patient service is, however, another question. The inescapable fact is that modern science has provided various devices for diagnosis and treatment of disease which are too expensive for all but a very small minority of doctors to buy, much less use with accuracy and safety. Eventually, no doubt, there will develop some working arrangement between the private physician and the hospitals by which the patient may have the benefit of the diagnostic and treatment facilities of the hospital while maintaining his relationship with his own physician.

As far as the large class of people who constitute what might be called the normal free case load of a hospital is concerned, there is no doubt whatsoever but that they will create an increasing demand for out-patient service, not only in the diagnosis and treatment of disease but also in its prevention. To quote from all of the medical and hospital men consulted by the Commission would expand this report beyond reasonable limits.

*Journal of the American Medical Association, March 31, 1934.

REPORT ON STATE AID

The three following statements, however, made from widely differing angles, will serve the present purpose.

Dr. Alfred Stengel, President of the College of Physicians of Philadelphia; Vice-President for Medical Affairs and Professor of Medicine of the University of Pennsylvania:

"The out-patient department is one of the most important things that require state aid, because in the first place it lends itself to essential work at a smaller cost. In some of those districts which you have pointed out on the map there are no general hospitals and none perhaps is needed, but out-patient services could be established at small cost and would supply preventive work, which in the long run will obviate a great deal of major illness and consequent expensive hospitalization. A great deal of unnecessary expenditure in hospitalization of patients can be saved by a proper set-up of out-patient departments.

"By having a complete building, and equipped with this idea in mind to study cases completely, we have now for several years been treating directly in out-patient departments gastro-intestinal cases which heretofore have been considered as necessarily hospital cases. When hospitalized, they were usually kept from ten to fourteen days, and often received only very brief attention each day. In a properly arranged out-patient department they would spend fifteen minutes, or if need be longer periods of time-- perhaps two hours or more-- but could remain at work even if only on a part-time basis. An estimate we made of our

REPORT ON STATE AID

service showed a saving of close to \$8,736 a year to the people and \$10,000 to the hospital. Remember this concerns only one type of patient, though the same principles apply to others.

"Now of course you must recognize that it costs money to put up a well planned out-patient department, but it is not necessary to go as far as we have. There would, however, be an enormous saving if people could go to an out-patient department even moderately well equipped and secure full medical attention."

Dr. Samuel Bradbury, Chairman of the Medical Relief Committee of the Philadelphia County Relief Board; Medical Director of the Out-Patient Department of the Pennsylvania Hospital:

"In the first place, in my opinion, the out-patient departments of hospitals should be considered in the granting of state aid because their work is certainly of value to the community, and, properly done, is in most instances more worth while to the community than ward work. At any one time throughout the year, we have about 6,000 people under medical supervision; so it is readily seen that it covers a far greater proportion of the community and at a cost per entire care of the average patient that is little if any more than the cost of one day in a ward bed. Its whole aim is the prevention of disease, of serious illness, of temporary or permanent disability. It deals with what may be described as potentially effective economic units in the community and often it allows a man to work while

REPORT ON STATE AID

under care when he can find a job."

Mr. A. R. Hazzard, Superintendent of the Easton Hospital:

"The state appropriation as it is at present allocated permits no funds for clinics and it is here that the basic work of preventive medicine can be accomplished. At best, I think we are doing only half of our task in this field. Without the number of personnel that we should have in our clinics, we are often treating symptoms rather than taking the time to look for the cause. We are constantly referring patients to the hospital from the clinic because there is not sufficient time or personnel in the clinic to do a thorough analysis. This is ultimately costly. Of course, in normal times when people are anxious to get back to their tasks or their homes, this procedure is not only expensive for the state but for the individual. I think that the state appropriation should cover an appropriation for clinic cases."

The Commission is in accord with the views expressed above,

Recom-
mendation
#7

and recommends that the state assume some part of the cost of out-patient service; that an average cost per visit or transaction be established (say \$.60); and that the same percentage of free service earnings at not more than this cost be paid by the state as is paid to a hospital for in-patient service. In view of the fact that no accurate estimate can be made of the probable free out-patient service earnings in the coming biennium, it appears to be necessary to make a lump sum appropriation to the Department of Welfare to

REPORT ON STATE AID

meet that part of the cost of this service which the state assumes.

The Commission recognizes three major difficulties in the way of putting this proposal into effect. The first is the probable inclination of hospitals to establish such departments in order to increase their revenues, regardless of the need for their service. The second is the possibility that some of the less efficient hospitals may attempt to establish their right to reimbursement on the basis of service which is not worthy of the state's support. The third is the problem of devising means of checking on the use of out-patient departments in order to determine whether the economic status of the patients served justifies partial compensation by the state for such service.

The solution of the first difficulty lies in the control by the Department of Welfare over the establishment of out-patient departments recommended above. The answer to the second is two-fold: (1) rigid adherence to the standards for out-patient service accepted by the American Hospital Association and (2) the establishment of a medical committee to act in an advisory capacity to the Department and to the hospitals authorized to establish out-patient departments.

As to the third problem, it does not appear to be insoluble. The plan now in operation at the Pennsylvania Hospital-- probably also in others-- with slight modifications seems to be a generally practicable one. This plan calls not only for a "rating" on first admission but where a free or part-pay rating

REPORT ON STATE AID

is given, an expiration date which appears both on the clinic card and the patient index card. Since, in fairness both to the private physicians and to the taxpayers generally, such supervision must be strict and efficient, the Department would require a larger number of hospital workers in order to check on the economic classification of patients treated in out-patient

Recom- departments. The Commission recommends that pro-
mendation vision be made for the addition of four properly
#10 qualified workers to the staff of the Department.

Further protection against abuse might be provided by the passage of a law such as exists in New York State, which provides that "Any person who obtains medical or surgical treatment on false representations from any dispensary licensed under the provisions of this act, shall be guilty of misdemeanor and on conviction thereof, shall be punished by a fine of not less than ten dollars, and not more than two hundred and fifty dollars (Imprisonment until fine be paid may be imposed. Code Crim. Pro. Sec. 718.)"

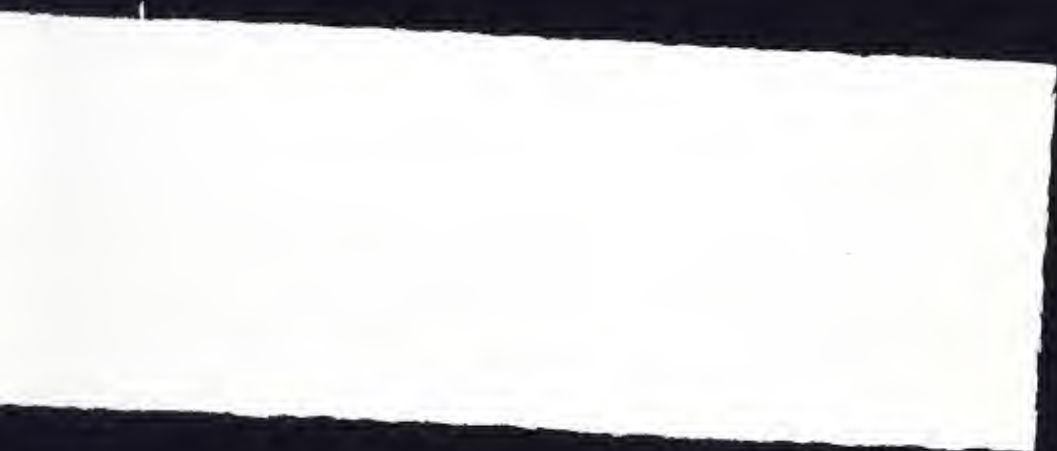
The Commission has given a great deal of thought to the problem of an equitable method of distributing state aid to hospitals. The distribution is at least on a service basis today. The establishment of this basis in your first administration by provision for reimbursement by the state for free service days at the rate of not more than \$3.00 per day has effected an enormous improvement. However, the reimbursement is still to the limit of the appropriation made to the individual hospital, and the appropriation covers a percentage of free ser-

REPORT ON STATE AID

vice which varies not in accordance with any established principle but all too often with the amount of political pressure that can be organized in the interest of the individual hospital. The variation in the percentage of free service earnings covered by the state appropriation during the fiscal year ending May 31, 1934 ranged from 5.11% at the Abington Hospital to 115.03% at the Adrian Hospital Association. In one locality-- Philadelphia-- the percentage varied from 28.43% at the Children's Hospital to 81.95% at the Woman's Hospital of Philadelphia. Or if one should object to the choice of the Children's Hospital on the ground that it did not apply for state aid until after the onset of the depression, let us take the Germantown Hospital as an example, which has received state aid since 1922 and which was reimbursed for only 32.53% of its free service earnings.

In view of the fact that there are no established principles in accordance with which state aid is appropriated, the hospitals are hardly to be blamed for going the limit to obtain as much as they can get by pressure. The Commission believes, however, that the great majority of the boards and superintendents would welcome the establishment of equitable principles under which they would be assured of fair apportionment of such part of the state's income as may be set aside for this purpose.

Nine plans of distribution have been suggested to the Commission, in addition to the tentative plan developed by the Department of Welfare in 1933. The Commission has considered



Correction:

The highest percentage of free service earnings covered by the State appropriation to a Philadelphia hospital in the last fiscal year was not that of the Woman's Hospital but that of the American Hospital for Diseases of the Stomach which amounted to 110.7%.

REPORT ON STATE AID

each one of these plans on its merits. On the basis of such consideration and of other facts brought to the attention of the Commission, it is recommended that the hospitals be classified into two groups, urban (including suburban) and "rural" (this class including hospitals in towns of 10,000 or under), and that the appropriations to the rural hospitals cover half again as high a percentage of free service earnings as the appropriations to the urban hospitals. In other words, if the urban and suburban hospitals are to be reimbursed for 50% of their free service earnings, the rural hospitals would be reimbursed for 75%. As stated above, the Commission recommends that the same percentage be applied to free service outpatient earnings.

This recommendation is made in the belief that without a set-up so ideal that it is hardly worth discussing, no classification of hospitals can be effected that will achieve more than rough justice; it is made in the belief that no method of distribution that is not simple and based on demonstrable fact will win the support of the legislature. This formula has been applied to the earnings of the state-aided hospitals for the last fiscal year, and it is the opinion of the Commission that if the appropriations for the last biennium had been made on this simple basis the results, with few exceptions, would have been beneficial.

No doubt this method of distribution will be questioned on at least two grounds:

1. It will be argued that it gives too much of an advantage to

REPORT ON STATE AID

the rural hospital; a) that it leaves out of consideration entirely the expenses that the urban general hospital incurs in its effort to offer complete service; b) that, except at a prohibitive cost, the small rural hospitals could not offer the advantages of the complete diagnostic and treatment equipment which the city general hospital must purchase and maintain; c) moreover, that the fact that free patients in need of special professional services or of special facilities come to Philadelphia and Pittsburgh from all over the state and are, generally speaking, freely accepted regardless of residence should tip the scales in the other direction.

On the other hand, it can be argued a) that the urban and suburban hospital is in a stronger position as far as the resources that it can tap for support are concerned; b) that as the majority of the hospitals that have out-patient departments are located in the cities, the reimbursement for out-patient service will counterbalance to some extent the discrepancy in the case of hospitals which are offering a complete service; c) that the system of distribution of state aid adopted by the state should give the hospitals in the smaller communities the advantage of preferential treatment before any effort is made to weed out those apparently unable to achieve even a minimum of efficiency.

It may be argued that it is not fair to treat all hospitals in a large community on the same basis without consideration

REPORT ON STATE AID

of a) size, b) type, and c) amount of community support.

The Commission does not believe a) that it is, generally speaking, good policy to favor the small city hospital and is of the opinion that state aid has kept alive many whose discontinuance would have wholesome results. b) As far as type is concerned, differentiation on this basis, other than results automatically from per diem costs below \$3.00, appears to involve too complicated a classification to initiate at the present time. c) As to community support, generally speaking the city hospital that deserves community support gets it. There is no reason for rewarding a hospital for not inspiring confidence in the people whom it seeks to serve. There are no doubt hospitals in outlying parts of the big cities which, because of their location, do not attract a great many pay patients, and endowments and contributions tend to follow in the wake of the pay patients. Where there are community chests, however, it is anticipated that their allocations will serve as equalizers; that they will shift support from the more to the less favorably situated hospital, providing it is deserving of support.

No doubt some provision must be made against the possibility which in the past has been an actuality-- that a hospital may have more money for maintenance than it needs.

Recom-
mendation
#12

To meet this possibility, the Commission recommends that if in any case a hospital's ward income from all sources-- endowments; contributions; earnings; state aid; county, municipal, or Poor Board appropriations-- totals more

REPORT ON STATE AID

than the operating ward costs, the Department of Welfare, with the consent of the Welfare Commission, shall be authorized to reduce the percentage of free service earnings to the extent necessary to effect a balance between income and costs.

Finally, to repeat what was said above-- no formula can do more than rough justice. Rough justice, however, is to be preferred to no system at all. If the suggested study is made, a real plan for the building up of well-distributed hospital facilities can be based upon it, and the appropriations for the biennium 1937-39 can be granted with a clear purpose in view.

Recom-
mendation

The Commission recommends that the amounts to be appropriated to each hospital for free ward service in the coming biennium, based on the last biennium's record, be stated in the budget and that the appropriations be made to the Department of Welfare in an administration omnibus bill. Merged hospitals should be treated as a unit for the purposes of simplicity, though it would make no difference under this plan in the amount of the appropriation.

Recom-
mendation

The Commission recommends, moreover, that funds released by the cancelling of state aid to unneeded or sub-standard hospitals shall be distributed to those hospitals which assume the burden of additional free service in conformity with Recommendations #5 and #6, and to other hospitals in need of additional support which the proposed study shall have shown to be necessary agencies in a statewide

REPORT ON STATE AID

program. The Commission recommends that such funds shall be allocated to these hospitals by the Department of Welfare with the approval of the Welfare Commission in accordance with their needs as indicated by the proposed study.

In the event that such a plan appears to be impracticable, the Commission recommends as an alternative that a small special appropriation be made to the Department of Welfare for the financing of the burden of the additional free service that the execution of Recommendations #5 and #6 would impose on certain hospitals, and that any funds released by the cancelling of state aid shall be distributed to all the remaining hospitals at the same ratio as the original appropriations.

The plan recommended by the Commission provides for an increase of the authority of the Department of Welfare. It provides, of necessity, that the appropriation for out-patient service in the coming biennium be made in a lump sum to the Department to be distributed according to a formula. It does not provide that the major appropriation be made to the Department in a lump sum to be allocated by the Department according to this same formula. The Commission recognizes that there would be a definite advantage in such provision in that it would make it possible to adjust state aid to the current demands on the participating hospitals up to the limit of the appropriation, rather than to base the appropriations on the earnings of the past biennium. On the other hand, a lump sum appropriation would appear to be inconsistent with the recommendation made above--

REPORT ON STATE AID

namely, that the amount that each hospital is to receive shall be stated in the budget and provided for in an omnibus administration bill. It is the belief of the Commission that one of the most essential steps toward dissociating state aid to hospitals from politics would be the support by the administration of definite allocations to the individual hospitals determined on a basis that is definite and simple and as equitable as possible. That is as far as it seems to the Commission practicable to go at the present time.

The Commission believes that you might be interested to know who have taken part in our conferences on the hospital situation or have given advice by letter. Those who have attended conferences are:

Dr. George Morris Piersol, member of the recently appointed Federal Medical Advisory Committee of the Committee on Economic Security.

Dr. Harold A. Miller, Director of Emergency Medical Relief.

Dr. Moses Behrend, President of the State Medical Society.

Dr. Seth A. Brumm, President of the County Medical Society.

Dr. Alfred Stengel, President of the College of Physicians.

Dr. Joseph Stokes, Jr., former Chairman of the Medical Advisory Committee of the Philadelphia County Relief Board.

Dr. Samuel Bradbury, Chairman of the Medical Advisory Committee of the Philadelphia County Relief Board.

Dr. C. Rufus Rorem, Associate Director, Rosenwald Fund.

Mr. Charles A. Gill, President of the State Hospital Association and Superintendent of the Episcopal Hospital.

Mr. John Hatfield, Executive Secretary of the State Hospital Association and Superintendent of the Pennsylvania Hospital.

REPORT ON STATE AID

Mr. John Smith, Superintendent of the Hahnemann Hospital, former President of the State Hospital Association and for six years its executive secretary.

Mr. Melvin L. Sutley, Superintendent of the Delaware County Hospital, representing Major Greene, Chairman of the Legislative Committee of the State Hospital Association.

Mr. Howard Bishop, Superintendent of the Robert Packer Hospital, former President of the State Hospital Association and for eight years its executive secretary.

Mr. Lewis Clark, Superintendent of the Germantown Hospital.

Mr. Kenneth L. M. Pray, Dean of the Pennsylvania School of Social Work.

Mr. Sherman Kingsley, former executive secretary of the Welfare Federation.

Letters have been received from the following:

Mr. Eric Biddle, Executive Director of the State Emergency Relief Board.

Dr. J. Allen Jackson, President-elect of the State Hospital Association, and Superintendent of Danville State Hospital.

Dr. William Turnbull, Superintendent of the Philadelphia General Hospital.

Mr. A. R. Hazzard, Superintendent of the Easton Hospital.

Mr. M. H. Eichenlaub, Superintendent of the Western Pennsylvania Hospital.

The Commission cannot hope that the foregoing recommendations in toto will meet the approval of any one of these men. Each one of them, however, will no doubt recognize the fact that at least at one point his advice has borne fruit.

The following were also asked to meet or communicate with the representatives of the Commission:

Dr. Walter F. Donaldson, Executive Secretary of the State Medical Society.

Dr. Wilton H. Robinson, President of the Allegheny County Medical Society.

REPORT ON STATE AID

Mr. John Farrell, Superintendent of the Uniontown Hospital.

Mr. Roger A. Greene, Superintendent of the Pottsville Hospital and Chairman of the Legislative Committee of the Pennsylvania Hospital Association.

REPORT ON STATE AID

STATE AID TO PRIVATE HOMES FOR THE AGED

The fact that there are 131* private homes for the aged in Pennsylvania caring for about 8000* people indicates a fairly general recognition of the need for the care of old people other than that provided in the county homes. Of these 131 homes, 104* are for women only, 3* are for men only, and 20* are for both men and women. Sixty-three* operating under sectarian auspices are for this reason ineligible for state aid, and 12* are fraternal and accept only members for care. Of the remainder, only 22 receive state aid. With the exception of the veterans' homes (see below), all but 2 of the 22 require the payment of an admission fee ranging from \$250 to \$1000. Four of these institutions accept children as well as old people.

Two of the homes are for veterans of the G.A.R. and their families and one is for veterans of any war and their dependents. In view of the very protective attitude of the state toward veterans of various wars, the Commission assumes that state aid to the three veterans' homes will be continued, and the fact that at least two of these homes serve a diminishing group constitutes an argument against a change in policy toward them at this late date. It can be anticipated, moreover, that applications to these homes will be greatly affected by the operation of the Old Age Assistance Act. The Commission suggests, however, that consideration be given to the possibility of transferring the residents of the Pennsylvania Memorial Home to the Home for Veterans of the G.A.R.

*According to the latest data available.

REPORT ON STATE AID

and Wives in Philadelphia, which has a considerable surplus capacity at the present time. Some of the residents of these two homes will no doubt be qualified to receive Old Age Assistance and this fact may contribute to the solution of any problem presented by this plan.

Applying the third principle accepted above to the remaining 19 homes, however, there appears to be no basis for treating these institutions as factors of primary importance in a coordinated statewide program for the aged.* The state has committed itself by the passage of the Old Age Assistance Act to the policy of promoting the care of the aged in their own homes. It is, moreover, to all the aged poor rather than to a limited and selective number of old people that the state owes a first and compelling obligation. The fact that the financing of Old Age Assistance presents a difficult problem constitutes, in the opinion of the Commission, an additional reason for discontinuing a special type of support to individuals, to homes, and to localities such as is involved in the present state aid practices. These 19 homes have a total population of 846 as compared with an estimate of 38,000 eligible applicants for Old Age Assistance. Five are located in Philadelphia; 5 give only local service. The Commission does not question the fact that some of these little institutions meet a definite community need, and probably will continue to do so. Insofar as they do, however, it is the belief of the Commission that the gradual withdrawal of the small subsidies now granted by the state on a

*It is interesting to note in this connection that only 6 states in the Union give state aid to private homes for the aged.

REPORT ON STATE AID

deficit basis can be balanced by increased community support.*

Recom- The Commission recommends, therefore, that
mendation state aid to these institutions be reduced by 25%
#2a in the coming biennium and be discontinued entirely in the
biennium of 1937-39.

In view of this recommendation, it is perhaps useless to waste words on the subject of appropriations on the basis of service. However, should the incoming administration not accept

Recom- recommendation #2a, the Commission recommends that
mendation consideration be given to a service basis for the
#2b appropriations.

*10 of these 19 institutions now receive part of their support from community chests.

REPORT ON STATE AID

STATE AID TO PRIVATE INSTITUTIONS AND AGENCIES FOR THE BLIND

Before applying the principles established above to the three state-aided agencies and institutions for the blind, it seems essential to define their function and scope, for although all three are largely concerned with the problem of the adult blind, their objectives vary widely.

The Pennsylvania Association for the Blind is a loosely knit organization with branches in fourteen cities, each branch being under the direction of a paid executive. The function and scope of the organization is indicated by the fact that in the last fiscal year it rendered service to a total of 2,550 employees, out-patients and prevention of blindness cases, distributed as follows: 529 employees, of whom 205 were home-workers and all of whom contributed through their work to the earned income of the Association; 948 non-employees to whom individual service was given; 1,073 cases to whom eye-medical service was rendered.

A merger is now being negotiated between the Pennsylvania Association for the Blind and the Pennsylvania Home Teaching Society for the Blind. This latter organization aims also to function on a statewide basis and has, it is claimed, been hampered only by lack of funds. The scope of the work of the Society is suggested by the fact that in the last fiscal year, 7,996 visits were made, 4,767 lessons were given. On May 31, 1934, the Society's teachers were working with 587 pupils, the majority of whom were over sixty years of age.

The program of the Pennsylvania Working Home for Blind Men

REPORT ON STATE AID

is again different. The Home accommodates eighty to eighty-five men, who live there continuously, paying \$4.00 a week in board from their earnings in broom, rug and mop making, this amount being about half of the net weekly per capita cost. Forty to forty-five more men live in their own homes and come in for the day to work. The income of the Home is derived from the sale of its products which amounted to \$152,154.45 in the last fiscal year; from endowments, the Welfare Federation and from city and state appropriations. The Home accepts applicants from any part of the state but the great majority of those benefiting from its services are from Philadelphia. Because of the opening up of opportunities for employment of properly trained younger men, a larger proportion of the employees of the Home are over sixty than was the case twenty-five years ago.

There is a general recognition of the terrible isolation that blindness imposes on those to whom the door to a useful life has not been opened and to a certain extent the state has already provided for the opening of this door.

The Department of Public Instruction, through the Division of Special Education, is responsible for the supervision of the education of blind children from the age of six to that of twenty-one. It is the policy of the Council for the Blind to encourage the school districts which are responsible for the cost of the blind child's education not to separate him from his fellows for the reason of blindness alone. A normally intelligent child can learn to read Braille in a few days; and given a teacher with patience and favorable home conditions,

REPORT ON STATE AID

it has been found to be practicable even to keep a newly blinded child in his own class. In the event that family or other conditions are unfavorable, the Council arranges for his admission to one of the two residential schools-- the Pennsylvania Institution for the Instruction of the Blind or the Western Pennsylvania School for the Blind, both of which are state-aided. The Department of Public Instruction has also at its disposal two funds, one for the institutional care of blind children of pre-school age and the second for the college education of blind boys and girls.

The state has further reflected its interest in smoothing the way of the blind to a normal life by the assumption of a certain amount of responsibility for the vocational re-education of people who become blind either as a result of industrial accidents or from other causes* through the use of funds placed at the disposal of the Bureau of Rehabilitation, one-half of these funds being from the Federal Government. In the last fiscal year, fifty-four blind people were referred to the Bureau by the Council for the Blind, fifteen of whom have been to date accepted for industrial and academic training. The cost of this training** was \$2,659.90.

Theoretically, the Bureau can give vocational training to any child over sixteen years of age and can meet that child's

*The state pays for maintenance during training of those who have been blinded by industrial accidents but not of those who have become blind from other causes.

**Together with maintenance of those blinded by industrial accidents amounting to \$3,184.90 in the last fiscal year.

REPORT ON STATE AID

needs on an individual basis. Actually, it has at present difficulty in placing the newly blind for such training, as the opportunities for vocational training are restricted, especially for the child who has reached his limit as far as academic education is concerned. While the Commission recognizes the fact that it is overstepping its assignment in so doing, it suggests that a better coordinated program for the blind would be promoted by the extension of the vocational program of the two state-aided schools.

Recom-
mendation
#1

The State has, therefore, by the development of facilities for the education of the blind under the Department of Public Instruction and for vocational re-education of the newly blinded under the Department of Labor and Industry, laid the foundations of a statewide program of training and education for the blind. If it is true, however, that there are restricted facilities for the vocational training of the blind child under twenty-one who has reached his limit as to academic education, it is even more true as far as opportunities for readjustment of the adult are concerned.

In considering the relative advantages of further development by the state of opportunities for vocational training and re-education of the blind, and the subsidization of the training and educational services of the Pennsylvania Association for the Blind and the Pennsylvania Home Teaching Society, the Commission believes it advisable to take into consideration the tendencies in the proportions and in the character of the problem of the blind.

REPORT ON STATE AID

There are about 10,000 blind people in Pennsylvania today. Four thousand and twenty-five of them are now receiving state pensions by reason of inability to maintain themselves imposed upon them by blindness. A relatively small waiting list is scattered through forty-three counties. Such study as has been made of the applications for pensions indicates that 50% of the applicants are over sixty years of age and that 40% are over 70. It indicates, moreover, that the largest group of applicants is made up of people blinded by senile cataracts and that the next largest group is of people blinded by glaucoma, which generally does not set in until after the age of forty.

It is estimated that 60% to 75% of blindness is preventable; its causes are definitely known and definitely removable. In the last twenty-five years, the application of preventive measures has resulted in an appreciable decrease in the incidence of blindness resulting from a number of such causes. The percentage of the total number of cases of blindness due to ophthalmia neonatorum has fallen throughout the country from 23% in 1908 to 7.2%* today. There has been a reduction of trachoma due to more efficient examination of incoming immigrants. The incidence of phlyctenular kerato-conjunctivitis has also dropped, as has blindness resulting from intracranial tumors. Whether blindness due to hereditary syphilis has been reduced is undetermined, in spite of the fact that it can be

*Statistics of the National Society for the Prevention of Blindness. The Pennsylvania figures are higher-- namely 33-1/3% in 1908 to 17.8% today.

REPORT ON STATE AID

prevented in 95% of cases if the mother who shows a positive Wassermann reaction is treated early in pregnancy. Evidence on the decrease of blindness due to industrial accidents is also inconclusive, although there seems to be some basis for the belief that education and protective legislation have effected a slight reduction.

However, in spite of the success of various preventive measures, it is estimated that there are just about as many blind people today in Pennsylvania as there were twenty-five years ago. To some extent, this is due to the fact that the blind do not hide themselves away as in the days when their potentialities were not realized. To some extent, it is due to the fact that people live longer today than they did twenty-five years ago. In consequence, there is greater likelihood of their developing diseases of any kind that are associated with the deterioration of the human machine. Assuming that the gains resulting from the use of our present knowledge in the prevention of blindness are not counterbalanced by unforeseen losses, it is inevitable that the proportion of old people among the blind will be increased in the future, unless the subtler causes of such blindness can be combatted as effectively as the causes that produce blindness in youth.

This trend in the make-up of the blind group raises the question as to whether there should be any age limit established at which the state's complete or partial responsibility for

Recom- re-training or re-education would cease. The Com-
mendation
#2 mission recommends that consideration be given to

REPORT ON STATE AID

the establishment of such an age limit-- say at the age of 60. There are other handicaps of old age, some of which may be quite as hard to bear, and to the extent that blindness is such a handicap, it is hardly just for the state to undertake to compensate for it while it disregards the others.

In view, moreover, of the fact that all those who are either born blind or who lose their sight early in life will in the course of a few years have received as much academic education as they are able to absorb and, if Recommendation #1 is carried out, will have been given the opportunity for a varied vocational education, it would appear inevitable that there will be a decreasing need for the training and education of the blind between the ages of 21 and 60. In view of these facts and of the existence of certain machinery in the Pennsylvania

Association for the Blind and the Pennsylvania Home Teaching

Recommendation
#3

Society, the Commission recommends that under certain conditions it would be better policy to subsidize these organizations than to develop the state's own services for the training and re-education of the blind.

Recommendation
#4

The Commission recommends, however, that before any appropriation is made to these two

organizations for such services, they be requested to effect their merger and to submit to the Council for the Blind their joint program for the coming biennium. Such a program should differentiate between the various types of service given and the services given should be in harmony with the policies of the state as developed by the Council for the Blind and approved by

REPORT ON STATE AID

Recom- the Welfare Commission. The Commission further
mendation
#5 recommends that the Administrative Code be amended
so as to give the Council for the Blind authority to establish,
with the approval of the Commission, standards applicable to
the services of the merged organization and to other institutions
and agencies for the blind. The Commission recom-
mendation
#6 mends, moreover, that a service basis be established
for reimbursement by the state.

As far as subsidization of employment is concerned, whether through the Pennsylvania Association for the Blind or the Pennsylvania Working Home for Blind Men, the Commission raises the question as to whether it is the state's function to furnish such support. The desirability of providing employment for all blind people is beyond dispute. Only about 3,000 of the total of 10,000 are employable* on anything like equal terms with seeing people. The top group representing only about 10% of this 3,000, given adequate training plus an intelligent effort at placement, are employable on a normal basis. The balance of the 3,000 require subsidized employment and if given such employment can live far happier and more useful lives. The great majority of the blind, therefore, need work primarily because of its therapeutic value. The Commission recognizes how great that value is. It questions, however, whether the state should

*The Commission suggests that a blind person be classed as employable in conformity with the standards set up in England according to which a person who can earn on a piece work basis 50% of the minimum trade union wage is classed as employable. When his earning capacity drops below this percentage, he is classed as a straight relief case.

REPORT ON STATE AID

subsidize employment for the blind when the needs of other handicapped groups are ignored. Should it be argued that the state should provide the opportunity to work to all handicapped groups, the question would arise as to where the line should be drawn. The subtler handicaps resulting from the warping of personality are frequently as great obstacles to employment as are many of the more obvious ones.

The above recommendations are of necessity offered tentatively with the very definite thought that until a joint program is developed by the Pennsylvania Association for the Blind and the Pennsylvania Home Teaching Society no final decisions should be made; with, moreover, the belief that until further consideration is given to the question of subsidization of employment, especially in relation to the existing pension and relief systems, no final action should be taken. The problems of training, re-education and employment of the blind are sufficiently complex to demand a continuing study by the organizations concerned, the Council for the Blind and the Commission-- a study undertaken with due appreciation of the emotional difficulties that any major handicap tends to produce in human beings, but also with the realization that such difficulties may be increased rather than diminished by losing sight of the relative claims of other groups.

The Commission ventures to express its hope that such action in regard to the blind as may be taken by the incoming legislature may be the result of the use of courageous intelligence and not of the pressure of a vociferous minority among the blind.

REPORT ON STATE AID

STATE AID TO PRIVATE CHILD-CARING INSTITUTIONS AND AGENCIES

The study of state subsidies to private charitable institutions and agencies in Pennsylvania made in 1922 by Kenneth L. M. Pray, now Dean of the Pennsylvania School of Social Work, is a most fundamental contribution to any consideration of state aid practices in this state. Its philosophy and principles are so sound that they can be used - in fact, must be used - in the working out of a new program such as is warranted by present conditions in the field of state aid to private agencies. After discussing at length the exceedingly complex situation affecting public grants to hospitals and other organizations caring for adults, Mr. Pray says: "The problem of properly discharging the state's responsibility to private agencies for the care of children is a more complicated and more extensive one."

While much remains to be done in standardizing and making more efficient state aid to hospitals, it is very clear to anyone who studies the field of hospital care that a combination of factors has made for progress which is entirely lacking where child-caring agencies are concerned. In the field of health, the state has recognized the existence of need and is more nearly aware of the extent to which such need, in these times at least, can only be met through grants from the state treasury.

The improvement in methods and procedure controlling these grants is due in part to the leadership and increasing efficiency of the state Department of Welfare and also to powerful leadership and cooperation within the private hospital field. Very definite factors control the flow of patients to a hospital. At all times, these factors exercise certain arbitrary checks on the tangible measurable services which the hospitals have to offer.

REPORT ON STATE AID

If the recommendations made in another section of this report should be adopted, we will see the development of a more inclusive state health aid program, the filling in of gaps, and the termination of abuses which should have no part in services to the sick and ailing.

General Principles Applied to Child-caring Agencies:

The principles controlling state aid to agencies of all types are equally applicable to child-caring agencies. The great obstacle to be overcome is the determination of the different kinds of services and the amounts for such which should be paid for by the state. Here we enter a field about which members of the legislature and citizens in general have little concrete knowledge. It is chaotic in terms of types of organizations, methods and standards of work, overlapping services, costly competition between certain services and strongly emphasized and restricted local points of view. We are approaching something like a state plan in the health field; we are still further ahead in plans for the blind and the aged, but we have hardly scratched the surface in regard to a sound and comprehensive state plan for the care of dependent, neglected and delinquent children.

State Recognition of Part of the Problem:

The state performs a very vital service through its appropriations for the care of dependent children with their mothers. According to a special census December 31st, 1933, a total of 22,554 children were being aided through the state Mothers' Assistance Fund, at a cost of more than \$8,000,000 for the biennium - half of the expense being borne by the state and half by the counties participating in this type of care. The stand-

REPORT ON STATE AID

ards set by the state have been on a high plane from the inception of this work in 1913. Just as we entered into the acute phases of the depression the waiting lists of mothers in the different counties were becoming negligible. During the last two years, however, the need of mothers with dependent children has been so acute that relief had to come for large numbers of them out of the funds of the state Emergency Relief Board. It is estimated at this time that the county Emergency Relief Boards are caring for about as many children of widowed mothers as are being aided through the Mothers' Assistance Fund. The Poor Boards on December 31, 1933 were caring for approximately 10,000 children of 3,500 widows in their own families. A large number of these widows were on the Mothers' Assistance Fund waiting lists in the counties. This in no wise lessens the importance of the work done through the Mothers' Assistance Fund, and the necessity of a larger appropriation for the next biennium.

The state Workmen's Compensation Law also safeguards the family life of thousands of dependent children. The amounts paid in Pennsylvania are very low in comparison with some other states this state being number 40 on a list of 45 states with compensation laws. Nevertheless, the Children's Commission in 1925 reported that out of a total of 13,767 fatal compensable cases, involving dependent children covering a period of almost 9 years, a total of 22,442 children were protected through care with their own mothers or other relatives instead of having to be turned over to child-caring agencies. Another large total were equally protected through compensation paid the wage earner for various kinds of disability resulting from industrial accidents.

REPORT ON STATE AID

An increase in compensation grants as well as the inclusion of occupational diseases would act as a still further powerful source of protection of children in their right to grow up with their own relatives. Both the Mothers' Assistance Fund and the Workmen's Compensation Law throughout the whole period of their existence have prevented a great army of children from moving into the care of various children's institutions and foster family agencies.

Anything, for example, which would reduce the total appropriation for the Mothers' Assistance Fund, notwithstanding the escape available through unemployment and poor relief, would nevertheless result in the breaking up of large numbers of families and the scattering of the children. Private family welfare agencies also perform valuable services in keeping children with their own families.

The Specialized Child-caring Field:

In round numbers there are more than 350 private child-caring agencies in the state. The number includes some of the most richly endowed agencies in the whole field of private charity. It includes institutions, foster family agencies, day nurseries, maternity homes and homes for the aged also caring for children. These many agencies care for dependent, neglected and delinquent children - they are under both sectarian and non-sectarian control. The sectarian agencies are not eligible for state aid. On December 31st, 1933, 265 Pennsylvania institutions and child-placing societies reported that they were caring for a total of 29,737 dependent and neglected children away from their own families. They are also responsible for the supervision of

REPORT ON STATE AID

6,568 children in their own or relatives' homes or elsewhere. In addition is the state Soldiers' Orphans' School at Scotland, Franklin County. This institution is expanding rather rapidly at the present time.

Some of the institutions have developed foster family services. Two of the child-placing agencies, namely, the Children's Aid Society of Pennsylvania - Philadelphia - and the Children's Aid Society of Western Pennsylvania - Pittsburgh - have a number of county branches. The former agency is organized in sixteen counties, the latter agency in fourteen counties. These totals are in addition to the counties where they have their home offices.

There is a small scattering of Negro agencies in the total group. With a limited number of exceptions, the agencies under white control do not care for Negro children. There is a very acute need in some sections as far as Negro dependent and neglected children are concerned.

These various children's institutions and agencies scattered over the state express many different standards of care. A great amount of work has to be done to raise the standards of many agencies so that they may conform to the minimum requirements of the Department of Welfare. Twenty-five counties have no organized private child-caring services receiving state aid. In a few counties state aid is granted to particular agencies which do not serve the children of those counties. In a number of instances, children from this latter group of counties are, in the event of extreme need, cared for by agencies in other counties. The census taken in 1933 reveals the very considerable extent to which

REPORT ON STATE AID

this practice holds.

During the past ten years there has been a marked improvement as regards plant and equipment of the institutions and the health work of all of the agencies in the main.

Whereas certain arbitrary factors are present and may be stressed in the operation of a hospital, a school for the blind, a home for crippled children or for the aged, it is far more difficult to find these factors or agree upon them when it comes to the job of separating a child from his own family. The reception work of many child-caring agencies in the state is still below minimum standards. The casual acceptance of a child for care and the still more casual continuance of a child in care, often for many years, represent total expenditures seldom realized. What should be said of children's agencies operating in apparent ignorance of the security and protection offered to children through the Mothers' Assistance Fund and other resources available for family relief? Into this field state aid has been projected for many years with results which are far from beneficent for many children.

The Factor of State Aid:

Against the background of 350 children's institutions and agencies operating in the state, we have a total of 43 receiving state aid. Their total appropriations for the present biennium amount to \$905,100, of which sum Glen Mills and Sleighton Farms receive more than half. The total appropriations for dependent and neglected children amount to \$354,900. Some of these agencies are among the very best child-caring organizations in the state, performing work which is recognized throughout the country.

REPORT ON STATE AID

The group includes, however, a number of sub-standard agencies and some whose work is of such poor quality as not to merit state aid under any circumstances. Legislative interest in agencies operating below standard has not given sufficient consideration to the very valuable information in the possession of the Department of Welfare. This information has been gathered in a spirit of fairness and with every desire on the part of the Department to extend the friendliest cooperation to all agencies. Of the state-aided children's institutions 21 have fair to very good standards, of the state-aided foster family agencies 3 fall below the minimum standards set by the Department.

All the non-sectarian institutions and agencies not receiving state aid under the law have a right to demand grants from the state. That so few are receiving state aid is partly due to chance and partly due to other factors such as a rejection of the principle of state aid and the belief that lacking extraordinary influence with the legislature new requests are certain to be rejected. Another influence is the lack of the kind of state-wide organization which knits the hospitals of the state when they face the realities of balancing their budgets. The hospitals, moreover, do have a more immediate appeal which it is difficult for the legislature to resist. A sick person badly in need of hospital care is bound to attract public attention and to arouse criticism. Dependent and neglected children with rare exceptions cannot be made to take so prominent and concerted a public position although in their variety of needs they may represent the essence of social tragedy.

The paltry sum appropriated by the state for the care of

REPORT ON STATE AID

dependent and neglected children away from their own homes is a challenge not necessarily that appropriations be granted to a still larger number of institutions and agencies. It is essential, however, that the state evaluate and recognize the services rendered in return for its appropriations.

Recom- It is recommended that at each session of the
mendation
1 legislature specific information should be furnished by the Department of Welfare as to the amount of unrelieved need among dependent and neglected children. Other states take on a great deal of responsibility for such children. In Massachusetts and in New Jersey, for example, the state directly assumes the care of many thousands of dependent and neglected children. Such care is in addition to the work of private agencies. In other states the responsibility is expressed through very large county appropriations.

At the present time Pennsylvania follows no plan in regard to the care of dependent and neglected children. While certain counties are reasonably well covered through the activities of public and private services, others lack such services with most serious consequences to certain classes of children. If perchance the state should recognize its responsibilities in this field in accordance with the working out of efficient county boards of public welfare, the appropriations for child care would run into very large figures.

At the present time the state is poorly protected against any organized, though ill-advised, drive for state aid on the part of many unaided private child-caring institutions and agencies. While the serious financial problems now facing the

REPORT ON STATE AID

state government would not make it easy to increase the total child-caring appropriations, they might, with sufficient pressure be successful to the extent of cutting into the amounts to be appropriated to other agencies. There are signs that new requests from children's agencies, as well as requests for increases, will be forthcoming at the next session of the legislature. Without a plan and lacking the resources, there might be a danger that some appropriations to children's agencies would be cut, including agencies whose work is so important and of such quality that they should be marked for increases.

Covering a period of ten years there have been shifts in the distribution of state aid to agencies in the children's field, but the total grants have tended to be static. Since during this period there has been a marked increase in our population, and whereas appropriations to hospitals have been greatly increased, it is fair to say that the children's appropriations occupy a less important place in the picture. The general effect of the economic collapse has meant less money from endowments and from parents whose children are in the care of agencies.

The 1931 legislature created a Committee on Economy and Efficiency in the State Government, Hon. Philip Sterling, Chairman. The report of this Committee says some very pertinent things on the subject of state aid. It recommends that for the 1935-37 biennium, the state's appropriations for child-caring work be restricted absolutely to two agencies, to wit: The Children's Aid Society of Pennsylvania and the Children's Aid Society of Western Pennsylvania. This implies a concentration of services and a reasonable covering of all the counties

REPORT ON STATE AID

of the state. Whether such a recommendation will be adopted by the next legislature is open to question. It could not be carried out by the agencies in question without a very much larger appropriation than is now being received by all the state-aided children's agencies. Such a concentration of state support would focus the unmet needs and result in disastrous pressure on the agencies in question unless they were going to be adequately financed to do this job.

There is a confusion in the minds of many people as to the purpose of state aid to a private agency. Some seem to believe that the appropriations are to bolster agencies regardless of the value of their services. A smaller number are rightly of the opinion that state aid is actually for service and is a method whereby standards of children's work may be improved. Certain agencies now being aided first serve themselves. Certain agencies are under temptation to continue children in care for needlessly long periods so as to insure their receiving the maximum amount from the state.

The precarious condition of the finances of some of the counties means the probability that they will be able to pay less money to local child-caring agencies for services with resulting increases of pressure on the state. At the December, 1933 conference held in Washington to consider the needs of dependent and neglected children, it was resolved that at least during this unemployment emergency, state governments as well as county governments should be asked to make or to increase their appropriations for the necessary services of private child-caring agencies. We have faced during the last ten years

REPORT ON STATE AID

a decline in the population of child-caring institutions in the state. The population of the foster family agencies has been on the rise. We note that certain institutions with falling populations are asking for more money.

There are evidences of a tendency to consolidate child-caring services, whether institutions or foster family agencies. Such consolidations lacking a good state plan and a sound basis on which grants from the state may be made, face the possibility of eliminating certain good agencies with demands for increased state support from agencies operating below minimum standards.

Problems Now Being Faced:

State appropriations all too frequently are made without due consideration as to the real necessity of state aid, the importance of the organization to the community or the state and with lack of adequate information as to the part which state aid plays in total resources of the organization. Among the state-aided children's organizations the state meets from 5.4 percent to 94.5 percent of the operating costs with no check by the legislature as to the actual services rendered.

It is certainly true that in the children's field state aid is given without any regard to the kinds of work done by agencies which are most needed and should, therefore, have a first claim. New agencies are voted state aid without the advice of the Department of Welfare. Private agencies have received aid whose services were a clear duplication to tax-supported public agencies, particularly in the fields of health and education. Agencies are singled out for state aid without recognition of the work done by local public and pri-

REPORT ON STATE AID

vate family relief agencies. State aid is granted without any clear understanding of the proper functions of child-caring agencies. There are agencies the activities and methods of which are clearly outside the pale of reputable agencies.

Hospitals receive state aid on the basis of free service rendered in accordance with carefully stipulated rules and regulations. The items entering into the cost of this service are clearly understood. The method works to the advantage of both the state and the hospitals. State aid to children's agencies is on the basis of a coverage of an estimated deficit. At any given period the deficit, if any, may not be apparent. It may be an artificial and not a true deficit. At another period the agency may face a very acute deficit and so reports. Frequently funds collected within a given quarter do not appear on the books for that period in order that the agency may show a deficit.

Recom-
mendation

2

It is recommended that children's institutions and agencies should receive state aid on the basis of actual free care rendered, as in the case of hospitals. Such a basis for state aid would obviate many difficulties of a serious nature.

If the children's institutions and agencies have resources they frequently borrow to pay for care and administration against the time when they will receive their quarterly payments from the state. If an agency is without resources to be put up as collateral for loans it may find itself in a situation where it cannot pay its bills, cannot pay for the care given to children by foster parents, hence actually can show

REPORT ON STATE AID

no deficit, and cannot therefore receive its quarterly payment from the state. This is the very real situation in which a large Negro child-placing agency in Philadelphia finds itself at the present time. The money appropriated to it by the state to meet part of the expense of its care for children in foster families, it cannot receive because it is unable to show a book deficit. Agencies which borrow, in order that they may prevent suffering to the children in their care, find it difficult to secure from the office of the Auditor General a reasonable interpretation of what are current receipts due and collected for a given year and receipts which should apply to loans made in prior years to cover certain expenses, as in the case of board to foster families.

While it is true that some of the agencies receive a disproportionate amount of their total funds from the state, many receive grants so slight or so insignificant as to be of no fundamental importance in their work. Either they could get along without the aid in question or else they need much more in order that they may do an adequate job.

It is difficult under the present plan to allocate state aid so as to promote a state-wide program of child care through strong and effective agencies. It is equally difficult to secure the right support for some institutions of good standing which serve communities outside their immediate areas so as to cover all communities with adequate child-caring services. There is a very real difficulty to be faced in that the Department of Welfare, after all is said and done, has no power to enforce proper standards on agencies receiving state aid

REPORT ON STATE AID

although they may be doing poor work.

Since the legislative enactments in regard to state aid carry with them no agreement to comply with the standards set up by the Department of Welfare, there results a situation which is most confusing and discouraging. Insistence on such compliance by the legislature is one of the safest checks to unlimited demands and unlimited expansion of services without regard to need or a good plan. At every turn one is faced by the realities of a situation in which the state should be getting real service and every child the best kind of care when state aid enters the picture.

A study of the state-aided children's agencies shows an oversteering of non-significant, isolated or purely local work. It also shows that counties are penalized if they have few local public or private social welfare agencies through which it is possible to measure the volume of social distress. They are simply left out of the picture.

Efficient and satisfactory services are not emphasized because of the lack of a closer tie-up between staffs of the Auditor General and of the Department of Welfare. The Accounting Division of the Department of Welfare, in cooperation with the Auditor General, could insist on a more active compliance of state-aided agencies in regard to adequate records wherein such records are of value on the accounting side. It would certainly lead to greater efficiency if all of the visiting departments were to pool certain significant information gathered about agencies through visits. This would in no wise interfere with the Department of Welfare in the exercise of

REPORT ON STATE AID

its very specialized social welfare services. The development of good standards of child care, dependent on the right personnel, in accordance with sound methods, is in the last analysis the truest economy.

Recom- The Commission recommends that there be periodic
mendation
3 conferences between representatives of the office
of the Auditor General and of the Department of Welfare with a
view to correcting the situation as here described.

Agencies now applying for state aid made their requests to the legislature. The information in the possession of the Department of Welfare is rarely tapped until after the appropriation bill is on the Governor's desk. It should properly play a vital part in determining in the first place whether the agency in question is entitled to any aid, and, in the second place, how much it should receive. The plan might be to have applications first go to the Department of Welfare and then to the legislature with proper and adequate information in regard to each applying agency; or, should the present procedure continue, all applications to the legislature should automatically call for reports from the Department of Welfare.

Recom- The Commission recommends to the legislature that
mendation
4 all requests for state aid for children's institu-
tions and agencies be considered only in conjunction with care-
ful reports from the Department of Welfare indicating among
other matters the nature, scope, importance and efficiency of
their work, detailed information as to their finances and the
degree of responsibility of boards of managers or directors,
and the training and experience of the staff.

As things now operate, it is the Governor who seeks the

REPORT ON STATE AID

advice of the Department of Welfare. It thus is not always possible - frequently is impossible - to make the information effective for all the interests concerned.

Questions:

Why should the state grant aid to one day nursery when there are approximately 50 day nurseries in the state, located chiefly in Pittsburgh and Philadelphia? Day nursery care is undergoing very great changes. If one is entitled to support, why not all or at least many more?

Why should the state make dribbling appropriations to work for the care and protection of unmarried mothers and their children? Five such agencies, caring for relatively few cases, receive \$8,000 from the state. According to the 1933 census, the agencies reporting to the Department of Welfare noted that they had 3346 illegitimate children in care. Is this the most effective way to do a really good job in this field?

Recom- It is recommended that during the next biennium
mendation
5 the Department of Welfare make a special study of
the social and health needs of unmarried mothers and their
children throughout the state and report its findings and re-
commendations to the legislature.

There is a point below which it is uneconomical for a small agency to operate. Why should the state show such preference for agencies with so few children in care? The Department of Welfare should study the future status of these agencies in any state-wide program.

Why should state aid go to sub-standard agencies some of which should be closed in order that their children may receive better care elsewhere?

REPORT ON STATE AID

Recom-
mendation
6

It is recommended that beginning with the next biennium, state aid be discontinued to sub-standard agencies.

Has the time not come for a clear recognition of the larger function of the state in the care and training of delinquent children away from their own homes and a determination of the division of responsibility between public and private agencies? Why should two small homes for delinquents meeting so small a need receive state aid? A more comprehensive state plan for delinquent children would undoubtedly either exclude these agencies or bring more into the picture. The state suffers because of the lack of a plan.

Recom-
mendation
#7

It is recommended that the Welfare Commission study the field of care for delinquent children as furnished by public and private agencies and that it make specific recommendations as to the future interest of the state in regard to state aid, this study to include a consideration of the status of Sleighton Farms and Glen Mills and whether the time has not come for the state to take them over and operate them as in the case of Morganza.

Different State Aid Plans:

The following plans for granting state aid have been suggested:

1. A lump sum appropriation to the Department of Welfare for per capita payments for certain services for children. This would require the provision of increased powers and additional personnel to the Department and might expose it to political pressure. It might tend also to relieve local

REPORT ON STATE AID

officials of responsibility for their own legal residents.

2. Appropriations to county public welfare boards for the care of children by either public or private agencies, subject to the Department's rules and regulations. This may be the ultimate plan, but cannot be put into operation at this time, lacking other legislation.
3. Appropriations to community chests, where such exist, rather than to individual agencies and institutions, pending the establishment of public welfare boards.
4. The compensation of agencies for the care of children on a per capita basis, no agency to receive more than 50 percent of the actual cost to the agency of such service for which it is entitled to compensation.
5. Dividing the children's organizations into classes A, B, and C, according to type and quality of care given, the better grade agencies to receive the larger appropriations.

Recom- It is recommended that whatever plan is followed,
mendation
8 state aid to children's institutions and agencies
be on the basis of service rendered and that the present practice of granting aid to meet anticipated deficits be discontinued, preferably for the biennium 1937-39.

Recom- Pending further study, the status quo in the main
mendation
9 will undoubtedly have to be maintained. The Commission recommends that the incoming Welfare Commission study this field of state aid to children's institutions and agencies. It should seek to determine those agencies now receiving, or that will later apply for, state aid, performing services of questionable value, either because their job should not be done at all, or other agencies can do it better; agencies serving

REPORT ON STATE AID

important community needs for which no other agencies exist; agencies falling below the minimum standards of the Department; those restricted to purely local activities; the unmet needs in terms of counties and parts of counties; and it should also study the possibilities for child care in the newly proposed County Boards of Public Welfare. In considering the subject of state aid, the Welfare Commission should give thought to specific proposals aimed to effect such progress in the children's field as is promised in the hospital field.

Further subjects of study will relate to the types of work the state should subsidize; a classification of institutions and agencies by groups, and studies as to dependency trends by age, race, and type of need.

Recom- In view of the unusual responsibilities which are
mendation
 # 10 being carried by the Children's Aid Society of
Pennsylvania and the Children's Aid Society of Western Pennsylv-
vania, it is recommended that they should be given larger appro-
priations by the next legislature. This would be a partial
recognition of the recommendation carried in the Sterling re-
port, to the extent that it would clarify the state-aid section
of the children's field by concentrating responsibility on the
two agencies more nearly affecting the whole state.

It is clearly not the wish or desire of these two agencies to receive state aid under conditions which would work to the disadvantage of other effective children's institutions and societies.

Recom- As a means for increasing the protection of chil-
mendation
 # 11 dren in their own families the Commission recom-
mends:

REPORT ON STATE AID

- (a) That the state appropriation to the Mothers' Assistance Fund be increased for the next biennium;
- (b) That the present compensation grants for fatal and non-fatal accidents in industry should be increased so as to bring Pennsylvania up to the standard set by states which lead in this field of welfare;
- (c) That death or disability resulting from occupational diseases be brought within the scope of the state's compensation legislation.

Recom-
mendation

12

The Commission furthermore recommends that there be written into the appropriation bill carrying aid to children's institutions and agencies the provision that such aid is conditional on the institutions and agencies in question making every reasonable effort to comply with the rules and regulations of the Department of Welfare. Where an institution or agency fails in such compliance, state aid shall be discontinued forthwith.